



**ARIZONA STATE SENATE**  
*Fifty-Second Legislature, Second Regular Session*

**FACT SHEET FOR H.B. 2476**

school property; sales; leases; use

Purpose

Modifies limitations and procedures concerning the disposition of proceeds from the sale or lease of school property.

Background

School districts are permitted to sell school sites and enter into leases or lease-purchase agreements for between 10 to 99 years, if approved by voters. Statute establishes several exemptions to the voter approval requirement including if the market value of the school property is less than \$50,000 (A.R.S. § 15-342). School districts may expend proceeds from the sale or lease of school property on any outstanding bond indebtedness or to reduce district taxes, without limitations. However, limitations are applied to the expenditure of proceeds for maintenance and operation (M&O) and capital outlay purposes. These limitations are based on the school district's amount of outstanding debt.

For non-unified school districts with outstanding bond indebtedness of 7 percent of the assessed valuation or less and for unified districts with bond indebtedness of 14 percent or less, proceeds from the sale of property before FY 1999 or the lease of property expended for M&O are prohibited from exceeding 15 percent of the Revenue Control Limit (RCL), of which 10 percent may be utilized without an election and the remaining 5 percent subject to voter approval. Proceeds from property sold after FY 1999 however, are prohibited from being used for M&O. If a district has an override in place, the total increase to the RCL may not exceed 15 percent with specifications to where the increase is attributable.

For non-unified school districts with an outstanding bond indebtedness of greater than 7 percent of the assessed valuation and for unified districts with bond indebtedness of greater than 14 percent, M&O expenditures are prohibited from exceeding the lesser of a 15 percent increase to the RCL or a quarter of the amount of proceeds from the lease of property. These school districts may use the proceeds from the lease of property on capital outlay without limit but may not expend more than 62 percent of the proceeds on capital outlay resulting from the sale of school property.

School districts are required to establish three plant funds to deposit the proceeds from the sale or lease of school property. Statute dictates the monies that may be deposited in each fund. The use of proceeds for the construction, improvement or furnishing of school facilities is required to be placed in a separate fund (A.R.S. § 15-1102).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Repeals statute concerning the disposition of proceeds from the sale or lease of school property.

***Lower Debt School Districts***

2. Allows non-unified school districts that have outstanding bond indebtedness of 7 percent of assessed valuation or less and unified school districts that have outstanding bond indebtedness of 14 percent or less, to expend the proceeds from the sale of property executed before July 1, 2016, or from the lease of school property to persons or entities other than schools for more than one year, on the following:
  - a) M&O in an amount that does not exceed 15 percent of the RCL; and
  - b) capital outlay in any amount.
3. Allows lower debt school districts that sell school property in excess of \$100,000 per transaction after July 1, 2016, to expend the sales proceeds on capital outlay in any amount.

***Higher Debt School Districts***

4. Allows non-unified school districts that have outstanding bond indebtedness of 7 percent of assessed valuation or greater and unified school districts that have outstanding bond indebtedness of 14 percent or greater, to expend the proceeds from the sale of property executed before July 1, 2016, or from the lease of school property to persons or entities other than schools for more than one year, on the following:
  - a) up to 25 percent on M&O in an amount that does not exceed 15 percent of the RCL; and
  - b) capital outlay in any amount.
5. Directs higher debt school districts that sell school property in excess of \$100,000 per transaction after July 1, 2016, to expend the sales proceeds as follows:
  - a) at least 38 percent of the sales proceeds for the payment of any outstanding bond indebtedness or for the reduction of school district taxes; and
  - b) the remainder of the sales proceeds after payment of outstanding bond indebtedness or for the reduction of school district taxes for capital outlay in any amount.

***Miscellaneous***

6. Prohibits higher and lower debt school districts that sell school property in excess of \$100,000 per transaction after July 1, 2016, from expending the sale proceeds on M&O.
7. States limitations on the expense of proceeds from the sale or lease of school property do not apply to proceeds from the following sources:
  - a) leases of school property to other schools;
  - b) leases of school property for less than one year; and
  - c) sales of school property of less than \$100,000 per transaction.

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8. Considers a lease of school property for less than one year that includes an automatic lease renewal resulting in a total lease duration that exceeds one year, as a lease for more than one year.
9. Combines the three existing school plant funds into one fund.
10. Retains existing provisions concerning the sale or lease of school property, with the following exceptions:
  - a) limitations on the expense of proceeds from the sale of school property prior to FY 1999;
  - b) procedures that allow year-round school districts to use proceeds from the sale of school property prior to FY 1999 or lease of school property on additional M&O expenses;
  - c) procedures concerning the use of proceeds from the sale or lease of school property with voter approval; and
  - d) procedures for lower debt school districts that have an override in place.
11. Becomes effective on the general effective date, retroactive to July 1, 2016.

Prepared by Senate Research

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CB/lr